

Message Text

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53

ACTION NEA-06

INFO OCT-01 EUR-10 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-03 FEAE-00 FPC-01 H-01

INR-10 INT-01 L-02 NSAE-00 NSC-07 OMB-01 PM-03 RSC-01

SAM-01 SCI-03 SP-02 SS-14 STR-01 TRSE-00 FRB-01 PA-01

PRS-01 USIA-04 DRC-01 /088 W
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R 081400Z OCT 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 7341

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TRIPOLI

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

AMCONSUL FLORENCE VIA POUCH

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E.O. 11652: N/A

TAGS: ENRG, IT, LY

SUBJECT: ESSO CUTS OFF LIBYAN NATURAL GAS SHIPMENTS TO ITALY

1. THE GOI-OWNED PETROLEUM AGENCY'S NATURAL GAS OPERATING COMPANY
SNAM ANNOUNCED TO THE PRESS ON OCTOBER 4 THAT ESSO HAD REFUSED TO
SUPPLY SNAM WITH LIBYAN NATURAL GAS UNLESS SNAM AGREED TO A
REVISION IN THE PRICE THAT WOULD TAKE INTO ACCOUNT RECENT LIBYAN
TAX HIKES. SNAM HAS DECLINED TO CONSIDER A PRICE REVISION, POINT-
ING OUT (CORRECTLY) THAT THE CONTRACT DOES NOT CALL FOR PRICE
REVISIONS DUE TO INCREASES IN PRICES OR TAXES. AS A RESULT,
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OPERATIONS HAVE CEASED AT THE SNAM DELIQUIFICATION PLANT AT

PANAGAGLIA (PRIVINCE OF LA SPEZIA), DEPRIVING ITALY OF THE 10 MILLION CUBIC METERS (CU. M.) PROCESSED DAILY. THIS AMOUNTS TO APPROXIMATELY 12.5 PERCENT OF ITALIAN CONSUMPTION (ANNUAL BASIS). SNAM HAS SAID THAT IT WILL SUPPLY GAS FROM "OTHER SOURCES" UNTIL THE SITUATION IS CLARIFIED.

2. INFORMATION FURNISHED TO EMBASSY BY ESSO (FULLY PROTECT, PLEASE) SUGGESTS THAT IT MAY BE SOME TIME BEFORE A NEW AGREEMENT CAN BE REACHED. ACCORDING TO ESSO, GOL ANNOUNCED ABOUT OCT 1 THAT NEW PRICE OF LIBYAN NATURAL GAS WOULD BE \$1.62 PER MILLION BTU, F.O.B. BREGA. PREVIOUS ESSO PRICE TO SNAM HAD BEEN \$0.52 PER MILLION BTU, CIF PANAGAGLIA; THUS, PRICE MORE THAN TRIPLED PARTICULARLY IF TRANSPORTATION CHARGES ESTIMATED BY ESSO AT \$0.18 ADDED PER MILLION BTU (GOL, FOR ITS CALCULATIONS, USES \$0.10/ MILLION BTU). PRESENT CONTRACT DOES NOT CONTAIN CLAUSES PERMITTING RENEGOTIATION OF THE TERMS; NEVERTHELESS, THE CONTRACT WAS RENEGOTIATED IN 1971 AND AGAIN IN 1973 TO THE PRESENT LEVEL (PLUS AN ESCALATOR CLAUSE BASED ON CHANGES IN THE COST-OF-LABOR AND OTHER FACTORS) DUE TO UNILATERAL PRICE INCREASES BY THE GOL. THE ESSO SPOKESMAN NOTED THAT THE 1973 PRICE REVISION HAD BEEN REACHED ONLY AFTER A 10-DAY EMBARGO BY ESSO. ESSO SPOKESMAN FURTHER STATED THAT AN EVENTUAL AGREEMENT WOULD BE REACHED WITH SNAM, AND A PRICE INCREASE PROBABLY AT A LEVEL OF \$1.30-\$1.40/MILLION BTU. THIS WOULD PLACE THE TOTAL COST AT ABOUT IT. LIRA 50/CU. M., AFTER ADDING IN COSTS OF LIBYA-PANAGAGLIA TRANSPORTATION, PANAGAGLIA DEGASIFICATION AND DISTRIBUTION. DOMESTIC PRICES FOR LARGE-SCALE INDUSTRIAL USE ARE, FOLLOWING A RECENT PRICE INCREASE, ABOUT L28/CU. M. BEAUDRY

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 08 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: golinofr
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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